

SUBCOMMITTEE NO. 4

Agenda

Senator Mark DeSaulnier, Chair
Senator Tom Harman
Senator Gloria Negrete McLeod



Thursday, April 29, 2010
11:00 a.m. (or upon adjournment of session)
Room 112

Consultant: Seija Virtanen

Part B

<u>Item</u>	<u>Department</u>
0510	Secretary for State and Consumer Services
1100	California Science Center
1110	Department of Consumer Affairs, Boards
1111	Department of Consumer Affairs, Bureaus, Programs, Divisions
2150	Department of Financial Institutions
2180	Department of Corporations
2400	Department of Managed Health Care
8260	California Arts Council
8500	Board of Chiropractic Examiners
8780	Little Hoover Commission
8820	Commission on the Status of Women

(See Table of Contents on page 2 for a More Specific Listing of Issues)

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<u>Item Number and Title</u>	<u>Page</u>
Department Budgets Proposed for Vote Only	4
0510 Secretary for State and Consumer Services.....	4
1110 Department of Consumer Affairs, selected Boards.....	5
1111 Department of Consumer Affairs, selected Bureaus.....	5
8260 California Arts Council	5
8500 Board of Chiropractic Examiners	6
8780 Little Hoover Commission.....	6
8820 Commission on the Status of Women.....	7
1100 California Science Center	8
Issue 1: Admissions Fee.....	8
1110 Department of Consumer Affairs, Boards and Bureaus	10
Issues Proposed for Vote Only	10
Issue 1: Accountancy SB 819	10
Issue 2: Barbering and Cosmetology Inspection Program	11
Issue 3: Speech-Language Board Consolidation.....	11
Issue 4: Behavioral Sciences Licensing Positions	12
Issue 5: Security and Investigative Services.....	12
Issue 6: CSLB EEEEC	13
Issue 7: CSLB System Programmer	13
Issue 8: Medical Board Licensing Application Processing	14
Issue 9: Medical Board AB 132.....	14
Issue 10: Occupational Therapy Enforcement Manager.....	15
Issue 11: Optometry Licensing Position Increase	15
Issue 12: Osteopathic Medical Staffing Increase	16
Issue 13: Pharmacy Licensing Support Staff	16
Issue 14: PELS Citations Program Workload	17
Issue 15: PELS Workload	17
Issue 16: Vocational Nursing Licensing Workload	18
Issue 17: Athletic Commission Athletic Inspectors.....	18
Issue 18: Consumer and Community Empowerment.....	19
Issue 19: Various – AB 20xxxx	19
Issues Proposed for Discussion	20
Issue 20: Consumer Protection Enforcement Initiative	20
Issue 21: BreEZe	22
Issue 22: Private Postsecondary Education	24
Issue 23: Accountancy AB 138	25
Issue 24: Behavioral Sciences SB 788	25
Issue 25: Physical Therapy.....	26
Issue 26: Veterinary Medicine AB 107	27

2150	Department of Financial Institutions.....	28
	Issue Proposed for Vote Only.....	28
	Issue 1: Money Transmitters.....	28
	Issue Proposed for Discussion	28
	Issue 2: Augmentation to Address Economic Deterioration.....	28
2180	Department of Corporations.....	30
	Issues Proposed for Vote Only.....	30
	Issue 1: SAFE.....	30
	Issue 2: Information Technology Workload.....	30
	Issue 3: Finance Letter \$20 million	31
2400	Department of Managed Health Care	32
	Issues Proposed for Vote Only	32
	Issue 1: Office of the Patient Advocate's Website	32
	Issue 2: Help Center's Call Center Coverage	32
	Issue 3: Conversion of Limited-Term Positions to Permanent	33
	Issue Proposed for Discussion	33
	Issue 4: AB 9xxxx	33

Department Budgets Proposed for Vote Only

0510 Secretary for State and Consumer Services

The State and Consumer Services Agency oversees the departments of Consumer Affairs, Fair Employment and Housing, and General Services. The Agency also oversees the California Science Center, the Franchise Tax Board, the California Building Standards Commission, the State Personnel Board, the California Public Employees' Retirement System, the California State Teachers' Retirement System, the Victims Compensation and Government Claims Board, and the Office of the Insurance Advisor.

The Governor proposes expenditures of \$2.6 million (\$1.24 million General Fund) and 17.2 positions for the Agency – an increase of \$340,000 and 1.0 positions from 2009-10. However, this funding level is \$639,000 and four positions below the funding level for 2008-09. The Administration did not submit any Budget Change Proposals for the Agency.

Staff Recommendation. Approve

VOTE:

1110 Department of Consumer Affairs

Boards and Bureaus Without Budget Change Proposals (BCPs). The Administration did not submit BCPs for the following entities. No Board or Bureau listed below receives General Fund support. (Dollars are in thousands)

DCA Boards and Bureaus Without BCPs

(dollars in thousands)

		Positions		Expenditures	
		2009-10	2010-11	2009-10	2010-11
1	Architects Board	84.5	85.5	\$ 12,035	\$ 12,746
2	Dental Board	63.2	71.6	\$ 11,535	\$ 13,267
3	Dental Hygiene Committee	3.9	6.7	\$ 1,118	\$ 1,296
4	Guide Dogs for the Blind	1.5	1.5	\$ 176	\$ 190
5	Acupuncture Board	7.6	8.4	\$ 2,461	\$ 2,637
6	Physician Assistant Com.	4.9	4.8	\$ 1,234	\$ 1,425
7	Podiatric Medicine	5.1	5.1	\$ 1,274	\$ 1,402
8	Psychology	13.6	15.3	\$ 3,390	\$ 4,000
9	Respiratory Care Board	16.2	16.5	\$ 2,858	\$ 3,150
10	Naturopathic Medicine Com.	0.0	1.0	\$ -	\$ 138
11	Registered Nursing	105.3	131.9	\$ 23,403	\$ 29,889
12	Court Reporters Board	4.5	4.5	\$ 1,154	\$ 1,125
13	Arbitration Certification Prog.	7.6	7.6	\$ 1,042	\$ 1,154
14	Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation	0.0	43.9	\$ -	\$ 7,567
15	Automotive Repair	611.6	613.3	\$172,629	\$193,291
16	Telephone Medical Advise Services Bureau	0.9	0.9	\$ 144	\$ 149
17	Cemetery and Funeral	22.5	22.5	\$ 3,854	\$ 4,221
18	Professional Fiduciaries	1.9	1.6	\$ 211	\$ 293

Staff Recommendation. Approve

VOTE:

8260 The California Arts Council

The Arts Council serves the public through the development of partnerships with the public and private sectors and by providing support to the state's non-profit arts and cultural community.

The Governor proposes expenditures of \$5.7 million (\$1.1 million General Fund) and 18.3 positions for the Arts Council – a decrease of \$314,000 and no change in positions from 2009-10. The Administration did not submit any Budget Change Proposals for the Board.

Staff Recommendation. Approve

VOTE:

8500 Board of Chiropractic Examiners

The Board of Chiropractic Examiners protects California consumers from fraudulent, negligent, or incompetent practice chiropractic care. The Board ensures that providers are adequately trained and meet recognized standards of performance for treatment and practice. The Board uses licensing, continuing education, and disciplinary procedures to maintain those standards. It also sets educational standards for recognized chiropractic colleges, reviews complaints, and investigates possible violations of the Chiropractic Act and regulations.

The Governor proposes expenditures of \$3,671,000 from the State Board of Chiropractic Examiners Fund and 20.1 positions for the Board. This is a decrease of \$133,000 and no change in positions from 2009-10. The Administration did not submit any Budget Change Proposals for the Board.

Staff Recommendation. Approve

VOTE:

8780 Little Hoover Commission

The Little Hoover Commission on California State Government Organization and Economy conducts four to five comprehensive reviews of executive branch programs, departments, and agencies each year and recommends ways to improve performance by increasing efficiency and effectiveness. The Commission, which was established in 1962, analyzes and makes recommendations to the Legislature on government reorganization plans.

The Governor proposes expenditures of \$945,000 (primarily General Fund) and 8.8 positions for the Commission, an increase of \$119,000 and no change in positions. The Administration did not submit any Budget Change Proposals for the Commission.

Staff Recommendation. Approve

VOTE:

8820 Commission on the Status of Women

The Commission on the Status of Women serves to advance the causes of women; by advising the Governor and the Legislature; and educating its constituencies. The Commission was originally established as an advisory body in 1965.

The Governor's Budget proposes expenditures of \$489,000 (General Fund) and 4.6 positions – an increase of \$57,000 and no change in positions. The Administration did not submit any Budget Change Proposals for the Commission.

Staff Recommendation. Approve

VOTE:

1100 California Science Center

Departmental Overview and Mission. The California Science Center is an educational, scientific, and technological center located in Exposition Park, a 160-acre tract in south Los Angeles. The Science Center has interactive exhibits on human inventions and innovations, the life processes of living things, and temporary exhibits. The California African American Museum (CAAM), also included in the park, provides exhibitions and programs on the history, art, and culture of African Americans. In addition, the Office of the Park Manager is responsible for maintenance of the park, public safety, and parking facilities.

Budget Overview. The Governor proposes expenditures of \$32.3 million (\$12.5 million General Fund) and 203.2 positions for the Science Center – a total increase of \$1 million, but a General Fund decrease of \$10.7 million. Instead of General Fund, the Governor proposes an admissions fee for the Science Center.

Issue Proposed for Discussion:

Issue 1 – Science Center Admissions Fee – Trailer Bill

Visitation. The Science Center receives an average of 1.2 million visitors annually. School groups make up approximately 33 percent of these visitors. 57 percent of visitors to the Science Center are Latino, African-American, and Asian-American.

Current Budget. The Science Center has an annual budget of \$31.3 million, of which \$2.7 million is designated for the CAAM and \$5.6 million is for the management of Exposition Park as a whole. Of the 31.3 million, \$23.3 million is General Fund. Of the General Fund amount, \$4.8 million is for bond repayments, which cannot be redirected to programs. The non-profit California Science Center Foundation, which assists in the operation of the Science Center, has a budget of about \$17.8 million.

Governor’s Budget. The Governor proposes trailer bill language to require the Science Center to collect an admissions fee that would be deposited into a new Science Center Fund. The new admissions fee would replace \$12 million of the Science Center’s current General Fund support budget of \$23.3 million. The trailer bill language does not specify the fee level that would be collected.

LAO Recommendation. The LAO recommends approval in concept of charging admissions fees, but withholds recommendation on the amount of General Fund reduction pending the Center’s estimation of fee revenues that could be generated. The LAO believes that support from the Science Center should come from a mix of funding, including admission fees, private donations, and other non-state revenues. However, given the number of annual visitors to the Center, it is not clear to the LAO whether it can generate \$12 million in revenues each year.

Staff Comment. Approximately one-third of the Science Center's visitors are school groups, which would be unlikely to afford admissions fees for each student, due to the funding restrictions that local school districts are currently experiencing.

Once school groups are taken out of the Science Center attendance, the admissions fee would have to be raised to \$15 per person to raise \$12 million. This ticket price assumes no differentiation for seniors, students, or children (independent of school groups). If the Science Center moves from a policy of free admission to charging \$15 per person, there will surely be a drop in attendance. Once attendance drops, in order to not suffer a loss of revenue the admissions fee would have to increase further.

Museums similar to the Science Center that collect an admissions fee receive gross admissions fee revenues between \$600,000 and \$4 million annually. This is far below the revenue expectations built into the Governor's Budget.

Staff thinks that there are some possibilities for the Science Center to raise revenue that does not compromise the Science Center's dedication to free admission. The Science Center already charges for \$8 for parking. (The Science Center also charges for their IMAX movie tickets.) It may be possible to raise additional revenue through increasing the parking fee from \$8 to \$10. The increase in parking fees would also apply to events at Exposition Park, including football games and concerts. Based on past Science Center parking fee increase revenue collections, staff estimates that the Science Center can collect approximately \$1 million in new revenue from raising parking fees.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

1. REJECT the Governor's trailer bill language [as a corresponding budget bill action, delete Item 1100-001-0001 (10) Amount Payable from the Science Center Fund and delete Item 1100-001-3161 (\$12 million) payable from the Science Center Fund]
2. INCREASE item 1100-001-0001 from \$9,836,000 to \$20,836,000
3. INCREASE item 1100-001-0267 from \$5,931,000 to \$6,931,000
4. APPROVE provisional language:
 - a. On or before December 1, 2010, the State and Consumer Services Agency and California Science Center shall report to the Budget Committee and appropriate policy committees regarding any short- and long-term alternatives for restructuring the California Science Center's financing and governance. The report shall include an analysis of other governmental entities' possible role in financing and governance of the Science Center; the role of the non-profit California Science Center Foundation; the use parking or other sources of revenue; the policy and fiscal implications of any alternatives; and possible timeline for any recommended changes.

VOTE:

1110 Department of Consumer Affairs

Departmental Overview and Mission. The Department of Consumer Affairs (DCA) Boards and Bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns. DCA Boards and Bureaus establish minimal competency standards for more than 255 professions involving approximately 2.4 million professionals. There are currently 40 boards, a commission, and a committee under the broad authority of the DCA.

Budget Overview. The Boards are budgeted under organizational code 1110, and the total proposed budget is \$273.7.1 million (no General Fund) and 1,521.6 positions – an increase of \$30 million and 98 positions. The Bureaus are budgeted under organizational code 1111, and the total proposed budget is \$230.4 million (no General Fund) and 1,435.2 positions – an increase of \$32.2 million and 66.3 positions.

Issues Proposed for Vote Only:

Issue 1 – Accountancy – SB 819: Practice Privilege (BCP #02L)

Board of Accountancy. Created by statute in 1901, the California Board of Accountancy's legal mandate is to regulate the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession, primarily through its authority to license.

In California, the accounting profession's licensed practitioners are the Certified Public Accountant (CPA) and the Public Accountant (PA). The CBA currently regulates over 81,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

Governor's Budget Request. The Governor requests 2.0 limited-term positions to address additional licensing workload from SB 819. The position would be paid for with existing budget authority (\$172,000 from Accountancy Fund, Professions and Vocations Fund).

Staff Comment. SB 819 (Yee, 2009) requires the Board of Accountancy to establish two advisory committees: the Advisory Committee on Accounting Ethics Curriculum and the Accounting Education Advisory Committee. These advisory committees are to make recommendations for continuing education, and the Board must then promulgate regulations related to the continuing education in accounting and ethics. The two requested positions will staff the advisory committees and assist in developing required regulations.

Staff Recommendation. Approve

VOTE:

Issue 2 – Barbering and Cosmetology – Inspection Program (BCP #04)

Board of Barbering and Cosmetology. The Board of Barbering and Cosmetology's (BBC) oversees cosmetologists, barbers, manicurists, estheticians (skin care), and electrologists (permanent hair removal). The BBC's responsibilities are protecting and educating consumers who seek barbering, cosmetology, and electrology services. BBC also regulates and licenses the individuals who provide the services and the salons in which the services are performed. The BBC adopts rules governing sanitary conditions and precautions to be employed as are reasonably necessary to protect the public health and safety in establishments, approved schools, and in the practice of any professions it oversees.

Governor's Budget Request. The Governor requests \$303,000 in 2010-11 and \$238,000 in 2011-12 (State Board of Barbering and Cosmetology Fund) and 4.0 limited-term positions to meet a statutorily established goal of inspecting new licensees within 90 days of being issued a license.

Staff Comment. The BBC currently licenses approximately 440,000 establishments, schools, and individuals throughout California. The BBC has 25 inspectors to enforce health and safety regulations. In 2008-09, 5,825 new establishment licenses were issued. Of those establishments, BBC was able to inspect only 17 percent with existing staff. The requested 4.0 temporary positions would allow the BBC to inspect more of the new establishments within the statutorily mandated 90 days of being issued a license.

Staff Recommendation. Approve

VOTE:

Issue 3 – Speech-Language – AB 1535: Board Consolidation (BCP #04L)

Governor's Budget Request. The Governor requests a reversion of funds, -\$2,000 in 2010-11 and -\$72,000 in 2011-12 and ongoing (Hearing Aid Dispensers Account of the Speech-Language Pathology and Audiology Fund). The request would also eliminate 3.8 positions.

Staff Comment. AB 1535 (Jones, 2009) consolidated the Speech-Language Pathology and Audiology Board with the Hearing Aid Dispensers Bureau. The new, combined entity is named the Speech-Language Pathology and Audiology and Hearing Aid Board. The consolidation led to some savings that are reflected in this proposal to revert funds.

Staff Recommendation. Approve

VOTE:

Issue 4 – Behavioral Sciences – Licensing Positions (BCP #06)

Board of Behavioral Sciences. The Board of Behavioral Sciences is responsible for consumer protection through the regulation of Marriage and Family Therapists (MFT); Licensed Clinical Social Workers (LCSW); Licensed Educational Psychologists (LEP); MFT Interns; and Associate Clinical Social Workers (ASW) in the State of California.

Governor’s Budget Request. The Governor requests a redirection of \$37,000 for 2010-11 and \$31,000 (Behavioral Science Examiners Fund) ongoing to establish a 0.5 PY in the Board of Behavioral Sciences licensing unit. This position would monitor the continuing education requirements of the MFT and LCSW licensees.

Staff Comment. State statute mandates that MFT and LCSW must meet continuing education requirements to qualify for a license renewal. There are approximately 48,000 licensees who must meet these continuing education requirements. Currently, licensees are self-certifying their continuing education requirements. A recent Board audit of 87 licenses found that 40 percent of those audited are not in compliance with their continuing education requirements.

Staff Recommendation. Approve

VOTE:

Issue 5 – Security and Investigative Services – SB 741: Proprietary Private Security Employers (BCP #08L)

The Bureau of Security and Investigative Services. The Bureau seeks to ensure that consumers, licensees, and businesses will have a safe, fair, and competitive marketplace. The Bureau licenses and enforces regulations for private investigators, uniformed private security, alarm companies, locksmiths, repossession agencies, and repossessioners.

Governor’s Budget Request. The Governor requests funding for three years only: \$69,000 in 2010-11, \$57,000 in 2011-12, and \$29,000 in 2012-13 (Private Security Services Fund) for updates to the Applicant Tracking System and Consumer Affairs System databases, and one limited-term position.

Staff Comment. SB 741 (Maldonado, 2009) requires Proprietary Private Security Employers (PPSEs) to register with the Bureau by January 1, 2011. The Bureau estimates that by 2012-13 over 400 PPSEs will be registered and need license renewals. The positions requested are limited-term to see if the workload materializes as expected.

Staff Recommendation. Approve

VOTE:

Issue 6 – Contractors State License Board – EEEEC (BCP #09)

Contractors State License Board. The Contractors State License Board (CSLB) protects consumers by licensing and regulating California's construction industry. There are more than 310,000 licensed contractors in the state, in 43 different licensing classifications. In addition to educating consumers about contractors and construction law, CSLB activities include administering examinations to test prospective licensees, issuing licenses, investigating complaints against licensed and unlicensed contractors, issuing citations, suspending or revoking licenses, and seeking administrative, criminal, and civil sanctions against violators.

Governor's Budget Request. The Governor requests making 11.0 temporary positions permanent at a cost of \$918,000 (Contractors License Fund) annually for the Economic and Employment Enforcement Coalition (EEEC).

Staff Comment. Since mid-2005, the multi-agency EEEEC has worked to combat the worst violators of federal and state labor, licensing, and tax laws operating in the underground economy. The goal of the EEEEC is to target these violators who operate in the underground economy and thus assist legitimate businesses that do comply with California laws and offer workers all protections afforded under the law.

Staff raises no issues with these requests as the EEEEC has proven its value to the state. It is also paid for entirely by special funds. Staff notes that implementation is scheduled for July 2010 and will allow for a continuance of this effective program without disruption.

The corresponding Governor's proposals for EEEEC in the Department of Industrial Relations, the Employment Development Department, and the Labor and Workforce Development Agency are scheduled to be heard by Subcommittee 5 on April 29.

Staff Recommendation. Approve

VOTE:

Issue 7 – Contractors State License Board – System Programmer (BCP #11)

Governor's Budget Request. The Governor requests 0.5 permanent positions (Senior Programmer Analyst) to provide analysis, development, and support for the CSLB Licensing and Enforcement System. The position would be paid for with existing budget authority (\$54,000 from Contractors' License Fund).

Staff Comment. In 2002, CSLB hired outside consultants to help with increasing workload associated with maintaining its Licensing and Enforcement System. However, the workload has not decreased, indicating that permanent staff may be needed to assist in the maintenance of the IT system. CSLB intends to replace the external consultants with 0.5 permanent positions.

Staff Recommendation. Approve

VOTE:

Issue 8 – Medical Board – Licensing Application Processing (BCP #15)

Medical Board. The Medical Board of California is a state government agency which licenses and disciplines medical doctors. The mission of the Board is to protect health care consumers through (1) the proper licensing and regulation of physicians and surgeons and certain allied health care professions and (2) through the vigorous, objective enforcement of the Medical Practice Act. The Board promotes access to quality medical care through the Board's licensing and regulatory functions. The Board provides two principal types of services to consumers: public-record information about California-licensed physicians, and investigation of complaints against physicians.

Governor's Budget Request. The Governor requests 7.8 permanent positions to be paid for out of existing budgeting authority (the cost of the positions is \$536,000 from the Contingent Fund of the Medical Board of California) to review and process applications in their licensing program.

Staff Comment. The Medical Board license applications have increased from 4,252 in 1990 to 6,169 in 2008, or a 45 percent increase. During this time, the number of personnel to review applications increased from 15 to 18. Also, the backlog of applications older than 60 days has grown to 592. Due to these workload increases, additional positions to review license applications are justified.

Staff Recommendation. Approve

VOTE:

Issue 9 – Medical Board – AB 132: Sleep and Wake Disorders (BCP #10L)

Governor's Budget Request. The Governor requests \$88,000 in 2010-11 and \$58,000 in 2011-12 and ongoing (Contingent Fund of the Medical Board of California). These funds would be for a one-year limited-term Associate Governmental Program Analyst position in 2010-11 and starting in 2011-12 a permanent Office Technician to address the workload associated with implementing SB 132 (Denham, 2009).

Staff Comment. SB 132 requires the registration with the Medical Board of individuals assisting physicians in the practice of sleep medicine. The Associate Governmental Program Analyst would help set up the registration program, and the following year the Office Technician will process the routine paperwork for this program.

Staff Recommendation. Approve

VOTE:

Issue 10 – Occupational Therapy – Enforcement Manager Position (BCP #22)

Board of Occupational Therapy. The Board of Occupational Therapy (BOT) was created with the passage in 2000 of the Occupational Therapy Practice Act. The BOT licenses Occupational Therapists (OTs) and certifies Occupational Therapy Assistants (OTAs) in California. The BOT also investigates allegations of violations of state law by licensees and certificate-holders. OTs evaluate and treat sensori-motor, cognitive, and psychosocial problems that interfere with an individual's ability to perform in their specific environment.

Governor's Budget Request. The Governor requests \$109,000 in 2010-11 and \$99,000 in 2011-12 and ongoing (Occupational Therapy Fund) for one permanent position to supervise the enforcement unit and provide assistance with hiring and training. The new position (Staff Service Manager) would assist in day-to-day supervision of staff, oversee all personnel, budget, and business services functions within the BOT, and perform other routine supervisory functions required for operations.

Staff Comment. The BOT's licensee population has increased from about 8,500 in 2000 to 12,672 in 2009. The increase in licensees has led to a workload increase in administrative, licensing, and enforcement activities. Currently, the Executive Director of the BOT is spending time on smaller administrative tasks rather than focusing on Board meetings and policy development. The BOT has 14 positions.

Staff Recommendation. Approve

VOTE:

Issue 11 – Optometry – Licensing Position Increase (BCP #25)

State Board of Optometry. The Board of Optometry meets its public protection mandates by regulating the practice of optometry in California and providing public information about its licensees. Board operations are funded entirely by fees collected from applicants and licensees. There are about 7,000 licensed optometrists in California.

Governor's Budget Request. The Governor requests position authority for 0.5 permanent positions to address increased workload in the Board's licensing program. The position would be paid for with existing budget authority (\$26,000 from State Optometry Fund, Professions and Vocations Fund).

Staff Comment. During the past two years, changes to national licensure examination, changes to statute, changes to the Board's fee structure, and changes to the application for licensure have caused an increase in workload for the Board's Licensing Program. Currently, the Licensing Program has 1.5 positions and a seasonal clerk. The new 0.5 position would address information requests from licensees and complete other license processing tasks.

Staff Recommendation. Approve

VOTE:

Issue 12 – Osteopathic Medical – Staffing Increase (BCP #27)

Osteopathic Medical Board. The Osteopathic Medical Board of California licenses osteopathic physicians and surgeons in order to protect consumers and promote the highest professional standards in the practice of osteopathic medicine. The board investigates consumer complaints and uses its enforcement power to ensure practitioners abide by the provisions of the state law. To maintain their license, practitioners must successfully complete rigorous, periodic continuing education requirements that meet the standards of the American Osteopathic Association (AOA).

Governor's Budget Request. The Governor requests \$274,000 in 2010-11 and \$238,000 in 2011-12 (Osteopathic Medical Board of California Contingent Fund) and 4.0 limited-term positions to address workload in administration and licensing.

Staff Comment. In 2000-01, the Board licensed 2,800 osteopathic physicians. In 2008-09, the number of licensees had grown to 5,280, an increase of 88 percent. During that same time period, the Board's staff increased from four positions to six positions. Due to the growth in the number of licensees, the Board has seen a backlog of over four months in license processing. New licenses take an average of nine weeks longer to process than is the goal of the Board.

Staff Recommendation. Approve

VOTE:

Issue 13 – Pharmacy – Licensing Support Staff (BCP #29)

Board of Pharmacy. The Board of Pharmacy protects and promotes the health and safety of Californians by pursuing the highest quality of pharmacist's care and the appropriate use of pharmaceuticals through education, communication, licensing, legislation, regulation, and enforcement.

Governor's Budget Request. The Governor requests \$94,000 and a redirection of \$21,000 in 2010-11 and ongoing (Pharmacy Board Contingent Fund, Professions and Vocations Fund) for 2.0 permanent positions. These positions would help process changes to license applications and provide basic customer service.

Staff Comment. Since 2006-07, the Board has seen a large increase in the number of applications received: Pharmacist-In-Charge (eight percent increase); Designated Representative-In-Charge (105.4 percent increase); and Discontinuance of Business (56.5 percent increase). The new staff would help process these applications for licenses in a timely manner.

Staff Recommendation. Approve

VOTE:

Issue 14 – Professional Engineers and Land Surveyors – Citations Program Workload and Backlog (BCP #30)

Board of Professional Engineers and Land Surveyors. The mission of the Board for Professional Engineers and Land Surveyors (BPELS) is to safeguard the life, health, property, and welfare of the public by regulating the practice of professional engineering and land surveying. In 2009, legislation was enacted that eliminated the Board for Geologists and Geophysicists and transferred all of the duties, powers, purposes, responsibilities, and jurisdiction to regulate the practices of geology and geophysics to the Board for Professional Engineers and Land Surveyors.

Governor's Budget Request. The Governor requests \$94,000 in 2010-11 and \$86,000 ongoing (Professional Engineers' and Land Surveyors' Fund) for one permanent position to address the backlog of citations for unlicensed activity.

Staff Comment. The BPELS has an increased backlog of citations. The citations are not being processed because the BPELS receives new enforcement cases that existing staff work on addressing. The new position would handle the backlog of citations, as well as new citations. The citations will bring in funds to BPELS that are currently not being collected.

Staff Recommendation. Approve

VOTE:

Issue 15 – Professional Engineers and Land Surveyors – Workload (BCP #02SFL)

Spring Finance Letter. The Governor's Spring Finance Letter requests \$559,000 in 2010-11 and \$544,000 in 2011-12 and ongoing (Geology and Geophysics Fund) and 3.0 permanent positions to absorb the workload of the former Board of Geologists and Geophysicists (BGG) into the BPELS. Also, the Spring Finance Letter includes the redirection of one position from BPELS into BGG enforcement activities.

Staff Comment. AB 20xxxx transferred the duties of the BGG to the BPELS. At the time it was acknowledged that the exact number of positions needing to be transferred from the BGG to the BPELS was not known, and that the administration should pursue a budget request once workload requirements were documented. This proposal reflects that workload request.

Staff Recommendation. Approve

VOTE:

Issue 16 – Vocational Nursing and Psychiatric Technicians – Licensing Workload (BCP #36)

Board of Vocational Nursing and Psychiatric Technicians. The California Board of Vocational Nursing and Psychiatric Technicians (Board) protects the consumer from unprofessional and unsafe licensed vocational nurses (LVNs) and psychiatric technicians (PTs). Specifically, the Board: (1) establishes the minimum requirements for examination and licensure; (2) establishes educational standards for the accreditation of Vocational Nursing (VN) and Psychiatric Technicians (PT) schools in California; (3) adopts regulations to clarify the performance, practice, and disciplinary standards for its licensees; (4) enforces the regulations governing the continued accreditation of VN & PT schools in California; and (5) enforces the regulations governing LVNs and PTs by taking appropriate disciplinary action against incompetent or unsafe licensees efficiently and effectively.

Governor's Budget Request. The Governor requests \$258,000 in 2010-11 and \$229,000 on-going (Vocational Nursing and Psychiatric Technicians Fund) and 4.0 permanent positions to address the increase in licensing workload and the resulting backlog.

Staff Comment. The Board has seen a 74 percent increase in the number of vocational nursing programs since 2003 (from 121 to 211). Due to the increase in programs, there has been a corresponding increase in the number of individuals needing to be licensed as vocational nurses (from 10,025 in 2003 to 20,809). The significant increase in individuals needing to be licensed has led to a backlog of licensing applications that justifies the new positions requested.

Staff Recommendation. Approve

VOTE:

Issue 17 – Athletic Commission – Athletic Inspector and Training Augmentation (BCP #01SFL)

California State Athletic Commission. The Athletic Commission was established in 1924 by initiative vote to oversee boxing events. Today, the Athletic Commission has licensing, regulatory, and disciplinary authority over multiple types of combative sports, including wrestling and mixed martial arts. The Athletic Commission issues 20 license types and oversees over 12,500 licensees.

Spring Finance Letter. The Governor's Spring Finance Letter requests a budget augmentation of \$464,000 (Athletic Commission Fund). The funding would allow the Athletic Commission to provide more athletic inspectors at sporting events. There are no positions as part of this request.

Staff Comment. The funds requested would come from collection of gate taxes at sporting events. Due to lack of staffing, the Athletic Commission has had sporadic collection of gate taxes at events (Commission staff needs to be present to collect the taxes). Combative sporting events have increased from 173 in 2006-07 to an estimated 250 in 2010-11. These

new events will need to be staffed with athletic inspectors, who are hired per event by the Commission.

Staff Recommendation. Approve

VOTE:

Issue 18 – Consumer and Community Empowerment – Reversion (BCP #01)

Governor’s Budget Request. The Governor requests a reversion of funds, -\$208,000 ongoing (Consumer Affairs Fund, Professions and Vocations Fund), and the elimination of 4.0 positions.

Staff Comment. The Department of Consumer Affairs’ Consumer and Community Empowerment Division (CCED) contains a call center that was established in 1994. A recent workload analysis for the call center revealed the need for 23.4 positions, but the call center employs 27.4 positions. This request would reduce positions to be equivalent to the current need.

Staff Recommendation. Approve

VOTE:

Issue 19 – Various – AB 20xxxx: Board Consolidations (BCP #07L)

Governor’s Budget Request. The Governor requests a reversion of funds, -\$5,240,000 in 2010-11 and ongoing, and the elimination of 37.9 positions.

Staff Comment. AB 20xxxx consolidated or eliminated various programs within the Department of Consumer Affairs (DCA), leading to the savings identified by the Governor. Specifically, the bill:

- Abolished the Naturopathic Bureau and moved its tasks to the Naturopathic Committee in the Osteopathic Board.
- Moved the Structural Pest Control Board from DCA to the Department of Pesticide Control.
- Consolidated the Bureau of Electronic Appliance Repair and the Bureau of Home Furnishings and Thermal Insulation.
- Abolished the Geologists and Geophysicist Board and moved its functions into the Board for Professional Engineers and Land Surveyors.

Staff Recommendation. Approve

VOTE:

Issues Proposed for Discussion:

Issue 20 – CPEI (BCP #1A)

Background. The Department of Consumer Affairs (DCA) contains 18 healing arts boards. The boards are responsible for licensing professionals within the medical field they oversee, as well as developing and enforcing regulations. Currently, it takes the healing arts boards about a year to investigate a complaint and three years to resolve an enforcement action. In 2008-09, DCA received 26,205 complaints against healing arts boards' licensees.

Current Enforcement Structure. Under the current enforcement structure, each of the healing arts boards has their own enforcement staff. Enforcement of professional standards is primarily achieved through: 1) investigating possible violations, issuing intermediate disciplinary sanctions, and pursuing formal disciplinary administrative actions; 2) mediating complaints; 3) monitoring professional conduct; and 4) auditing educational requirements.

The DCA has the authority to assess fines and issue citations, notices of violation, letters of reprimand, and cease-and-desist orders. Also, when necessary, the various program and departmental enforcement staffs work closely with the Attorney General's (AG's) Office and local district attorneys in an effort to remove incompetent practitioners and to reduce fraud in the marketplace.

Governor's Budget Request. The Governor requests \$12,770,000 and 107.0 positions in 2010-11; and \$14,216,000 and 138.5 positions in 2011-12 and ongoing to the healing arts Boards for the purpose of implementing the Consumer Protection Enforcement Initiative (CPEI). In addition to the positions previously mentioned, the Governor requests 19.0 limited-term positions to conduct complaint intake and analysis. The intent of the CPEI is to streamline and standardize the complaint intake/analysis, reorganize investigative resources, and decrease the average processing time for complaint intake, investigation, and prosecution from three years to 12-18 months by 2012-13.

The Governor's proposal also includes budget bill language that would allow the Department of Finance to augment the healing art boards' budgets for Attorney General work by up to 20 percent per board without notifying the Legislature.

The Governor's proposal also includes trailer bill language that would enact some significant and minor changes to DCA's authority in investigating regulation violations by licensees. Much of the trailer bill language corresponds to language in a pending policy bill, SB 1111 (Negrete McLeod).

Staff Comments. There are two major parts to the Governor's proposal: the changes to the structure of the department's enforcement activities, and the resource needs requested by the department.

Requested Structural Changes. The proposal would create a new centralized Enforcement Compliance Unit within the DCA that would audit the boards for their case closure timeframe and compile annual data reports on complaint workloads and processing times. Some sworn investigators would be located at the Enforcement Compliance Unit while some of the larger boards, such as the Medical Board, would have their own sworn investigators.

The trailer bill language included in the proposal overlaps greatly with a pending policy bill, SB 1111. Since the administration chose to pursue much of the requested language in a policy bill, that language should move through the policy discussion and be removed from the budget trailer bill language. Only the non-duplicative parts of the language should be left in the trailer bill for Subcommittee consideration.

Staff also has minor concerns with the wording of the proposed budget bill language. From the current language, it is not clear if the budget increases that the Department of Finance could approve are 20 percent of the cumulative AG contract budget for each board, or 20 percent per request made by a board.

Requested Resources. The proposal requests a total of 138.5 positions over two years. The DCA has demonstrated that the State Personnel Board has a large enough pool of candidates from which to fill the non-sworn investigator classification. The DCA intends to phase in the staffing requested in this proposal.

Staff has concerns about the proportion of the backlog that was created due to furloughs of state employees. The DCA is a special funded agency.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board:

- Are the policy changes enacted by the trailer bill language necessary to process the three-year backlog in enforcement cases?
- Will the increased DCA oversight of boards through the Deputy Director of Enforcement jeopardize the boards' independence?
- What administrative steps have already been taken to improve the enforcement process?
- Why should the centralized office for enforcement at DCA not be the entity handling and tracking the Attorney General contracts?
- How many cases were not processed due to the Governor imposed furloughs?
- What are the baseline positions for enforcement? How many cases per position are currently completed?

- In 2008-09, the healing arts boards logged 26,205 cases, but opened 8,121 investigations. Why were all logged cases not investigated?
- Can the department hire 107 new staff in the first year?

Staff Recommendation. Hold open

VOTE:

Issue 21 – BreEZe (BCP #1B)

Background. Licensing of businesses and professionals includes: processing applications and qualifying applicants, conducting exams/processing results, maintaining and analyzing licensing-related information, authorizing practice(s) and issuing licensing documents, renewing licenses, performing Family Support verification, creating a variety of management reports, and processing a multitude of other requests.

Current IT Systems. DCA has two stand-alone IT systems: the Applicant Tracking System (ATS) and the Consumer Affairs System (CAS). These systems require staff to log on and enter license application and renewal activity. These systems do not allow web-interface with clients. Additionally, the existing IT systems lack case management technologies.

The iLicensing Project was approved by the Legislature in 2006, and was supposed to provide DCA-wide reporting capacity across the CAS and ATS systems, and include the ability to collect on-line electronic payments for licensing fees.

Governor’s Budget Request. The Governor requests budget authority for the procurement and implementation of an integrated licensing and enforcement system. The funding for the system is divided between the special funds of the 40 boards and bureaus. The budget request is as follows (years 2010-11 through 2014-15 total \$20.3 million):

- 2010-11: \$2,080,000 (redirected from existing resources)
- 2011-12: \$2,283,000
- 2012-13: \$3,600,000
- 2013-14: \$6,219,000
- 2014-15 and ongoing: \$6,125,000

Alternative Payment Model. The DCA has structured the BreEZe cost proposal based on a “fee-per-transaction” payment model. Under this payment model, the solution vendor receives no payment prior to the State’s acceptance and use of the production system. Instead, the solution vendor will be compensated by assessing system clients with a transaction fee for specific master transactions. For the BreEZe

system, the DCA is anticipating that the solution vendor will assess a \$3 per transaction fee to boards and bureaus for each application or renewal processed through the new system.

System Capabilities. BreEZe is a proposed integrated enterprise enforcement case management and licensing system that will support the efficient execution and performance measurement of the DCA's enforcement and licensing programs. BreEZe will allow for secure cross-license checking for every DCA board and bureau, and provide the ability to interface with any other capable external systems used in the enforcement process, such as the Department of Justice, the Employment Development Department, or the Department of Public Health, once the appropriate agreements have been established authorizing the secured sharing of the data.

Staff Comments. The proposed payment structure may not be in the long-term best interest of the state. It is not clear from the proposal if the vendor's ability to charge fees to the boards and bureaus would last indefinitely. With about 2.4 million professionals requiring licensing in California, entering them all into the system at \$3 each would cost the State about \$7.2 million annually. In addition to these routine filings would be charges for entering complaints and accessing other databases.

There may be merit to creating a uniform IT system for the Department, but it is not clear why the iLicensing Project could not meet those needs.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board:

- If DCA intends to pursue an alternative payment model for BreEZe, why are there funds requested from the various DCA special funds prior to the completion of the system?
- If the "fee-per-transaction" payment model is accepted, will system costs continue indefinitely and potentially lead to a far costlier system than a traditional purchase model?
- Will the transaction fee be passed onto the licensees of the boards and bureaus, thus in effect forcing a fee increase onto the licensees?
- The first year of funding would come from redirected funding from the iLicensing Project. How much has been spent on the iLicensing Project to date?

Staff Recommendation. Hold open

VOTE:

Issue 22 – Private Postsecondary Education – (BCP #09L)

Bureau for Private Postsecondary Education. The Bureau for Private Postsecondary Education was established by AB 48 (Portantino, 2009) within the Department of Consumer Affairs. The Act became operative on January 1, 2010. The Bureau is supposed to ensure minimum standards of instructional quality and institutional stability in private postsecondary educational institutions. The Bureau is required to review and investigate all institutions, programs, and courses of instruction in private postsecondary education institutions.

Background. The previous Bureau for Private Postsecondary Education sunset on July 1, 2008. It had been created by AB 71 (Wright, 1997) within the Department of Consumer Affairs. The Governor vetoed SB 823 (Perata, 2008), which would have moved the sunset date and made some changes to the Bureau's operations. The Governor's veto message expressed that the bill would not have treated private postsecondary educational institutions uniformly.

Governor's Budget Request. The Governor requests \$8,739,000 (Private Postsecondary Education Administration Fund) and 67.4 permanent positions to establish the Bureau for Private Postsecondary Education.

Staff Comment. It is important to have oversight of the private postsecondary educational institutions in California. Without proper oversight, students could be misled about their educational opportunities and the costs of pursuing a private postsecondary education.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Bureau:

- How many institutions will the Bureau have authority over in California?
- What actions is the Bureau taking to ensure that existing and potential students know about their rights in regards to private postsecondary education?
- What has the Bureau done to resolve student claims to the Student Tuition Recovery Fund that existed before the previous Bureau sunset in 2008?
- Have any of the positions requested been administratively created?
- Will the Bureau be able to hire all of the requested positions during the budget year?

Staff Recommendation. Hold open

VOTE:

Issue 23 – Accountancy – AB 138: Peer Review (BCP #01L)

Board of Accountancy. Created by statute in 1901, the California Board of Accountancy's legal mandate is to regulate the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession, primarily through its authority to license.

In California, the accounting profession's licensed practitioners are the Certified Public Accountant (CPA) and the Public Accountant (PA). The CBA currently regulates over 81,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

Background. AB 138 (Hiyashi, 2009) requires that accounting firms providing audit, review, or compilation (accounting and auditing) services undergo a peer review of their accounting and auditing practice to ensure the work performed conforms to professional standards. Peer reviews will be required every three years.

Governor's Budget Request. The Governor requests 2.0 permanent positions to be paid for out of existing budgeting authority (cost of the positions is \$211,000 from Accountancy Fund, Professions and Vocations Fund) for the workload generated by AB 138.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board:

- Why should these positions be made permanent if the program is going to sunset in 2014?

Staff Recommendation. Hold open

VOTE:

Issue 24 – Behavioral Sciences – SB 788: Licensed Professional Clinical Counselors (BCP #03L)

Background. SB 788 (Wyland, 2009) requires the licensure, registration, and regulation of licensed professional clinical counselors and interns by the Board of Behavioral Sciences. California is the last state in the nation to require that professional clinical counselors be licensed. The Board must develop the rules and regulations to implement SB 788.

Governor's Budget Request. The Governor requests the following amounts from Behavioral Science Examiners Fund, Professions and Vocations Fund:

- 2010-11: \$1,079,000
- 2011-12: \$1,418,000
- 2012-13: \$1,335,000
- 2013-14 and ongoing: \$1,264,000

The funds would be for addressing workload related to SB 788, which requires that professional clinical counselors be licensed. The request includes 6.0 positions in 2010-11, growing to 12.0 positions in 2011-12.

Staff Comment. The proposal as submitted by the Governor seems to suggest that the Board can anticipate 1,086 license applications annually. This number of license applications does not justify the six positions requested.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board:

- How many professional clinical counselors is the Board expecting will seek licenses?
- The proposal mentions that California will be able to participate in some federally funded programs. Please expand on this statement for the Subcommittee.

Staff Recommendation. Hold open

VOTE:

Issue 25 – Physical Therapy – AB 120: Continuing Competency (BCP #17)

Physical Therapy Board. The Physical Therapy Board (PTB) licenses and disciplines physical therapist and physical therapist assistants. The PTB provides three principal types of consumer services: verifies education and background prior to licensure, provides information about the practice of physical therapy by physical therapists and physical therapist assistants; and investigates complaints against physical therapists and physical therapist assistants.

Governor's Budget Request. The Governor requests \$115,000 in 2010-11 and \$125,000 in 2011-11 and ongoing (Physical Therapy Fund) for 2.0 permanent positions to handle the workload from AB 120 (Cohn, 2006).

Staff Comment. AB 120 required the Physical Therapy Board to establish a Continuing Competency Program, through which licensees are required to take continuing education in physical therapy. The PTB set up regulations requiring the continuing education starting in October 2010. The PTB has 27,000 active licensees, who will have to meet a 30-hour biennial continuing education requirement. The two positions requested will process the additional workload from the continuing education requirement.

However, AB 120 did not include a funding source for the workload. The funding for the positions comes from existing license fees.

Staff Recommendation. Hold open

VOTE:

Issue 26 – Veterinary Medical – AB 107: Temporary Licenses (BCP #39L)

Veterinary Medical Board. The mission of the Veterinary Medical Board (VMB) is to protect consumers and animals through development and maintenance of professional standards, licensing of veterinarians, registered veterinary technicians, and veterinary premises and diligent enforcement of the California Veterinary Medicine Practice Act.

Governor's Budget Request. The Governor requests \$111,000 in 2010-11 and \$68,000 in 2011-12 and ongoing (Occupational Therapy Fund) for one permanent position to manage the licensing workload associated with AB 107 (Galgiani, 2009).

Staff Comment. AB 107 created additional workload for the VMB by requiring that out-of-state applications be issued temporary licenses and allowing citations to be issued to registered veterinary technicians who violate the Veterinary Medicine Practice Act. The VMB estimates that it will issue approximately 100 new temporary licenses annually as a result of AB 107. An increase in case complexity, due to increasing number of practices with multiple veterinarians operating out of the same business and changes to the "due process" procedures, has led to an increase in case processing time. The longer time frame to process cases has led to a growth in case backlog. The requested position would process the new temporary license applications and help with the case backlog.

However, the new licenses that will be provided under AB 107 will not be sufficient to pay for the position requested.

Staff Recommendation. Hold open

VOTE:

2150 Department of Financial Institutions

Departmental Overview and Mission. The Department of Financial Institutions (DFI) was established effective July 1, 1997, to regulate depository institutions, including commercial banks, savings associations, credit unions, industrial loan companies, and certain other providers of financial services. In addition, the Department licenses and regulates issuers of payment instruments, including companies licensed to sell money orders and/or travelers' checks or licensed to engage in the business of transmitting money abroad, and business and industrial development corporations. Programs are supported by assessments of the various industries, license and application fees, and charges for various other services.

Budget Overview. The Governor proposes total expenditures of \$34.2 million (no General Fund) and 253.5 positions - an increase of \$3.1 million and no change in positions from 2009-10.

Issue Proposed for Vote Only:

Issue 1 – Money Transmitters (BCP #1)

Background. In 2008, money transmitters licensed by Department of Financial Institutions transferred \$72 billion. Unlike for banks and other financial institutions, there is no federal oversight agency equivalent for money transmitters. Money transmitters include some well-known companies such as Google, PayPal, and Western Union, as well as numerous smaller companies.

Governor's Budget Request. The Governor requests making 8.6 temporary positions permanent at a cost of \$1,030,000 (Financial Institutions Fund) annually.

Staff Comment. The DFI is the only entity providing routine oversight of money transmitters in California. With such a large volume of funds transferred daily, it is in the interest of consumers that oversight be provided. The current temporary employees are already trained at the task of oversight, and it would be beneficial for the state to retain them.

Staff Recommendation. Approve

VOTE:

Issue Proposed for Discussion:

Issue 2 – Augmentation to Address Economic Deterioration

Background. The Department of Financial Institutions is responsible under state law for ensuring, through regulatory oversight and on-site examinations of licensees, the soundness of financial institutions that operate in California only. The DFI ranks financial institutions based on the Capital, Assets, Management, Earnings, Liquidity, Sensitivity (CAMELS) rating

system. CAMELS ranks institutions on a scale of 1 to 5, with 1 and 2 rated financial institutions considered to be in satisfactory condition and financial institutions rated 3 or lower considered to be “problem” institutions. Since the fall of 2008, the number of institutions in California rated 3 or lower has increased from 73 to 159.

Governor’s Budget Request. The Governor requests \$1,009,000 in 2010-11 and \$1,053,000 ongoing (special funds) for 9.5 permanent positions to provide increased oversight of the banking industry. The chart shows the breakdown of the funds by special fund. The positions would be as follows:

- 2.0 positions requested are for the Banking Program to conduct workload associated with a new \$19 billion state-chartered bank that is expected to open in the Spring of 2010.
- 5.0 positions requested are for increased examination and supervision issues arising from deteriorating financial conditions in problem institutions.
- 3.0 positions requested are for increased workload associated with regulating the financial condition of credit union licensees due to the prolonged economic slowdown.

	2010-11
Financial Institutions Fund	\$708,000
Credit Union Fund	\$301,000
PY’s	9.5

Staff Comments. The establishment of a new bank in California with a \$19 billion portfolio creates workload warranting the addition of examiners to the DFI Banking Program.

The current economic downturn is thought by some economists to continue for the next few years until a complete recovery is made. If a complete economic recovery can be achieved within three years, creating permanent positions in response to increased workload created by the economic downturn may not be prudent. However, staff acknowledges that for highly specialized classifications like the DFI examiners it can be difficult to recruit qualified staff for a temporary position.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board.

- Does the department anticipate the need for the eight positions to conduct bank examinations to last beyond the current economic crisis?
- Is the department working with DPA to make examiner pay more comparable with other governmental sectors in order to increase examiner retention?

Staff Recommendation. Staff recommends that the Subcommittee:

1. APPROVE 2.0 positions for the Banking Program
2. APPROVE 7.5 temporary positions for the Banking Program and Credit Union Program to address the results of the economic downturn on the financial industry

VOTE:

2180 Department of Corporations

Departmental Overview and Mission. The Department of Corporations (DOC) administers and enforces State laws regulating securities, franchise investment, lenders, and certain fiduciaries. The budget is divided into two operating programs. The Investment Program is responsible for the qualification of the offer and sale of securities in California and the licensing and regulation of broker-dealers and investment advisers. The Lender-Fiduciary Program licenses and regulates California finance lenders, mortgage lenders, escrow agents, deferred deposit transaction entities (including “payday” lenders), and check sellers.

Budget Overview. The Governor proposes total expenditures of \$43.9 million (no General Fund) and 330.2 positions, an increase of \$7.7 million and 14.2 positions.

Issues Proposed for Vote Only:

Issue 1 – SAFE (BCP #1)

Governor’s Budget Request. The Governor requests \$1,285,000 in 2010-11 and \$962,000 in 2011-12 and ongoing (State Corporations Fund) and 8.0 permanent positions to implement and enforce the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE) in California, per SB 36 (Calderon, 2009).

Staff Comment. Beginning July 30, 2010, mortgage loan originators employed by licensees of the DOC will have to meet uniform nationwide standards and be licensed through the Nationwide Mortgage Licensing System. SB 36 requires DOC to receive license applications through the Nationwide Mortgage Licensing System and process the license applications. Licensing individual mortgage loan originators is a new requirement for DOC. It is estimated there will be over 23,000 new licenses sought under the new statute. The new staff will process license applications, license renewals, and manage amendments to licenses.

Staff Recommendation. Approve

VOTE:

Issue 2 – Information Technology Workload Increase (BCP #2)

Governor’s Budget Request. The Governor requests \$324,000 in 2010-11 and \$282,000 in 2011-12 and ongoing (State Corporations Fund) and 2.0 permanent positions to provide information technology support to the department.

Staff Comment. Since 2004-05, the Department of Corporations has received 82 new positions without corresponding growth in IT support staff. Of these new positions, 49 were restoration of positions eliminated in 2002 (IT support staff had also been cut in 2002, but not restored). The current IT staff is working overtime while tasks such as website maintenance

are developing backlogs. Also, new state statute around regulatory functions is creating additional IT workload for developing automated processes.

Staff Recommendation. Approve

VOTE:

Issue 3 – Spring Finance Letter

Spring Finance Letter. The Governor's Spring Finance Letter proposes to transfer \$20 million from the State Corporations Fund to the General Fund.

Staff Comment. This transfer would not be a loan. The DOC has been operating on deficit spending that, combined with the transfer, will bring the State Corporations Fund balance near zero in two years.

Staff Recommendation. Approve

VOTE:

2400 Department of Managed Health Care

Departmental Overview and Mission. The Department of Managed Health Care (DMHC) was established in 2000, when the licensure and regulation of the managed health care industry was removed from the Department of Corporations and placed in a new, stand-alone, department. The mission of DMHC is to regulate, and provide quality-of-care and fiscal oversight for Health Maintenance Organizations (HMOs) and two Preferred Provider Organizations (PPOs). These 94 Health Care Plans provide health insurance coverage to approximately 64 percent of all Californians. Recent statutory changes also make DMHC responsible for the oversight of 240 Risk Bearing Organizations (RBOs), who actually deliver or manage a large proportion of the health care services provided to consumers. Within the Department, the Office of the Patient Advocate helps educate consumers about their HMO rights and responsibilities.

Budget Overview. The Governor proposes \$49.2 million (no General Fund) in total expenditures and 334.4 positions for the department – an increase of \$6 million and ten positions.

Issues Proposed for Vote Only:

Issue 1 – OPA’s Website and Annual Report Card Workload (BCP #1)

Governor’s Budget Request. The Governor requests 2.0 permanent positions to work on programming and web development for the Office of the Patient Advocate (OPA) website and annual development of the Health Care Quality Report Card Portal. The position would be paid for with existing budget authority (\$206,000 from Managed Care Fund).

Staff Comment. The OPA was employing outside contractors for web development related to the Health Care Quality Report Card Portal. The outside contract was let go in 2008, and workload was shifted in-house. Existing staff have been unable to meet all of OPA’s IT workload needs. The contract dollars from the terminated web development contract would be used for the new staff.

Staff Recommendation. Approve

VOTE:

Issue 2 – Help Center’s 24/7 Call Center Coverage (BCP #2)

Governor’s Budget Request. The Governor requests 3.6 permanent positions to address new workload attributable to the cancellation of the External Call Center contract. The positions would be paid for with the funding previously used for the contract (\$208,000 from Managed Care Fund).

Staff Comment. The DMHC was providing 24/7 call center services through an after-business hours contract. The contractor raised their rates dramatically and the contract was

let go in January of 2009. After the contract was let go, the call center expanded its hours from 7:00 a.m. to 7:00 p.m. to capture 97 percent of all calls. The contract funds were used to hire student assistants. Under this proposal, the DMHC would let go of the student assistants and use the contract funds for permanent staff. Increased call center hours justify the new positions requested.

Staff Recommendation. Approve

VOTE:

Issue 3 – Conversion of Limited-Term Positions to Permanent (BCP #3)

Governor’s Budget Request. The Governor requests \$199,000 in 2010-11 and ongoing (Managed Care Fund) for making 2.0 limited-term positions permanent. The positions have been with the DMHC since 2006 and review license applications.

Staff Comment. In order for DMHC to retain enforcement authority, changes to licenses must by statute be reviewed within 30 days of receipt. The DMHC was provided temporary positions to review licenses in 2006. The DMHC has demonstrated that the workload for their licensing division has grown very slightly since then, thus justifying keeping the positions to process license applications.

Staff Recommendation. Approve

VOTE:

Issue Proposed for Discussion

Issue 4 – AB 9xxxx – Regional Centers (BCP #1)

AB 9xxxx. AB 9 of the 4th Extraordinary Session (Budget Committee, 2009) prohibits the Department of Developmental Services (DDS) Regional Centers (RCs) from providing services to consumers aged 3 and under unless the consumer can demonstrate that their health insurer has denied coverage for the services provided by the RC.

Background. There are 21 RCs throughout the State. The RCs provide services to approximately 240,000 Californians with disabilities. DDS has provided DMHC with the estimate that 60,000 individuals receiving services at RCs have some form of insurance coverage.

When a person who has insurance coverage through a provider licensed by DMHC is dissatisfied with a rejection of coverage for medical services, that consumer file an appeal. If the appeal is rejected, the consumer can file a complaint with DMHC to request an Independent Medical Review (IMR). If the IMR is decided in the consumer’s favor, the health

plan is required to provide the requested service. The DMHC estimates that of the 60,000 RC clients who have insurance, 18,000 are children under the age of 3. The DMHC estimates that of these individuals (through their parents), ten percent will file complaints with DMHC, thus generating additional workload.

Governor's Budget Request. The Governor requests \$910,000 in 2010-11 and ongoing for nine positions to process consumer complaints against health insurance providers for not covering the developmental disability services provided by the RCs.

	2010-11
Managed Care Fund	\$910,000
PY's	8.5

LAO Recommendation. The LAO has raised concerns to staff about the workload justification for this proposal.

Staff Comments. Additional workload would only be generated for the DMHC if RCs determine that the health plan denial has no merit and should be appealed. Families would appeal to the DMHC, which sets up an Independent Medical Review of the case. It is unlikely that RCs will force many families to appeal their health plans' decision to deny coverage.

The DMHC has seen an increase in autism-related cases in recent years: in 2006-07, the DMHC processed 61 autism-related cases and in 2008-09 it processed 163 such cases. However, the 163 existing cases are handled with existing staff.

To assume that up to ten percent of families would be dissatisfied with not having their private insurance plan cover the cost of the RC care, and seek appeals, is not reasonable. The RCs will provide the care for the children once the letter denying coverage is produced by the insurance plan. Thus the families who were denied by their health insurance providers for care would continue to receive care through RCs despite the denials. These families have no incentive to begin a lengthy appeals process when they are already receiving care. Thus, the workload generated by AB 9xxxx may be more in informing the public of the process and educating the RCs as to their legal responsibilities.

When AB 9xxxx was debated in the Senate, it was estimated to provide the State savings of \$200 million.

Suggested Questions. In reviewing this proposal, the committee may wish to address the following questions to the Board.

- How was the number of individuals receiving treatment at RCs who have medical insurance determined?
- What could the department achieve with one position to work with RCs on understanding their legal responsibilities?

Staff Recommendation. Hold open.

VOTE: